

WSDOT Market Analysis

June 2006

This market analysis is based on a review of published information including the following sources: American Road & Transportation Builders Association (ARTBA); Argus Asphalt Report; Bloomberg; Building Team Construction Forecast; The Data DIGest; Energy Information Administration (EIA) and Engineering News Record (ENR).

- **Asphalt** prices are likely to continue to rise over the rest of 2006. This is due in part to the high cost of crude oil and to the increasing cost of fuels that are used in the production and placement of hot mix asphalt, as well as the potential for shortages in supply.

“Asphalt paving prices made another bold move this month, encouraged by the high price of crude oil, which remains stuck above \$70 a barrel.” ENR, 06/5/2006

“Prices for liquid asphalt paving started June with a 10% increase, following monthly increases of 5% in both May and April.” ENR, 06/5/2006

“Rocky Mountain, and West coast suppliers are concerned about supply availability, especially in the second half of the year.” Argus Asphalt Report, 05/15/2006

“Buyers said that supply availability, rather than price, will be the main concern in the 2006 asphalt season.” Argus Asphalt Report, 05/15/06

“In western Washington, current market prices were heard around the \$280 fob level for PG 64-22. But one supplier was moving to the \$320 fob level for PG 64-22, effective 1 June.” Argus Asphalt Report, 05/15/2006

“Crude oil prices...are up 46 percent from a year ago.” Bloomberg, 05/11/06

- **Concrete** prices are leveling out after strong first quarter gains and a slow climb in recent years.

“...concrete suppliers said they do not anticipate further increase before January.” The Data DIGest, 06/12-19/06

“Prices for portland cement eased 0.7% this month, checking four months of strong price hikes.” ENR, 06/5/2006

- **Fuel** prices remain high and will likely continue to remain high with the potential for price gains in the summer of 2006. This rise in price is the result of many factors including the global situation in the Mideast, unrest in Nigeria, increasing worldwide demand for oil and the higher costs of extraction of crude oil. This year's hurricane outlook points to possible declines in production resulting from the impact of the hurricane season on gulf production. Summer diesel prices will rise as ultra-low-sulfur diesel is phased in.

“Summer 2006 regular gasoline pump prices are expected to average \$2.76 per gallon, 39 cents higher than last year’s average of \$2.37 per gallon.” EIA, Short-Term Energy Outlook, June, 2006

“With another active Atlantic hurricane season expected this year, news of developing hurricanes and tropical storms with the potential to cause significant new outages in the Gulf could add volatility to near-term prices, particularly in the latter part of the summer.” EIA, Short-Term Energy Outlook, June, 2006

“Aside from gasoline, which dominates the US product market, a key indicator will be the demand for diesel. In spite of high prices, diesel had continued to post strong growth throughout most of 2005 on the back of a robust economic expansion. However, more recently there have been signs that diesel demand growth may have slowed.” Oil Market Report, 04/12/06

- **Lumber and plywood** prices are still showing a gradual decline, the prices will likely continue to decrease slowly for the third quarter of 2006.

“Lumber prices for the most popular species of 2 X 4s fell another 2% in June, dropping prices 10% below 2005’s level.” ENR, 06/19/2005

“Plywood prices fell 1% in June, reversing a brief rebound in April and May.” ENR, 06/19/2006

- **Steel** prices are expected to remain steady in the near future. Current prices have increased from 2005 but are still down from the peak in 2003/2004.

“After showing some weakness during the beginning of the year, prices for reinforcing bar posted modest rebounds in May and June and are now 6% above a year ago.” ENR, 06/26/2006

“The surge in structural steel prices at the end of last year has held through the first half of 2006.” ENR, 06/26/2006

“Steel mill products were up 2.6% for the month and 3.8% for the latest 12 months.” The Data DIGest, 06/12-19/06

- **General Materials & Construction** prices are expected to continue their upward climb through the next quarter.

“Construction materials costs have continued to heat up. The producer price index (PPI) for construction materials and components climbed 1.2% in May and 7.8% since May 2005.” The Data DIGest, 06/ 12-19/06

“The cost of highway and street construction continued to increase at a record pace in May 2006. Average prices for highway and street construction were up 16.4% in May compared to prices in May 2005.” ARTBA, 06/06

“Already, the growth in the production of construction supplies has been halved from the 7% pace over the last year.” Haughey, Jim. Commodity Price Increases Reach the Job Site, Building Team Construction Forecast, 5/30/06

- **Labor** prices are expected to increase double the recent wage trend due to a tight labor market.

“The average hourly wage paid by contractors increased \$0.08/hour in the latest month – a 5% annual growth rate. This is more than double the recent wage trend and is certainly an overestimate of future wage trends. Nonetheless, the labor market is tightening, as evidenced by the 1.3% rise in hours worked by construction employees in April. Ahead, the wage growth trend is “3% plus,” after more than a year of “3% minus.” Haughey, Jim. Commodity Price Increases Reach the Job Site, Building Team Construction Forecast, 5/30/06